by 15-24 year olds is only 82%; for African-American households it is only 65%.

Myth #3: Maintaining universal service is primarily a problem for rural areas.

Fact: Telephone penetration is lowest in the inner cities, not in rural areas. Nationwide, penetration in rural areas is several percentage points higher than in central cities. The growth rate of penetration in rural areas since 1984 is faster than in other areas. Social isolation, once the concern of rural planners, now occurs more often in inner cities. Within the information society, isolation tends to result from lack of access to communication channels rather than from geographic distance.

Myth #4: Low income and minority areas are threatened with "electronic redlining," in which they are systematically denied access to advanced features and services.

Fact: Minority, low-income urban areas such as Camden consume a disproportionately high amount of advanced "intelligent network" features from the telephone company, and a disproportionately high amount of premium services from the cable television company. The biggest risk is not that poor Americans will be denied access to these services, but that they will be pressured to buy services that they cannot afford.

Myth #5: The telephone and other electronic media are neutral and insensitive to differences of race, or gender.

Fact: Telephone penetration rates vary significantly among whites, blacks, and Hispanics, even when household income is held constant. Households headed by women suffer lower telephone penetration rates than do households headed by men.

Myth #6: Telephone service carries a higher intrinsic value than cable service because the interconnectivity function of the telephone is more important than the entertainment function of cable.

Fact: Evidence from interviews conducted in inner-city households in Camden indicates that, in some instances, household heads reject telephone service for one or more of the following reasons: a) low-income households tend to incur toll charges that stress their ability to remain economically solvent; b) the telephone offers a channel whereby undesirable peers may contact a child in the household and encourage the use of drugs or involvement in crime; c) threats to the household from government agencies or businesses are often delivered by telephone. Even so, households experienced sever difficulties gaining employment if there was no telephone in the household.

By contrast, households reported a willingness to invest in cable -- sometimes instead of telephone service -- because of cable's high use value given their circumstances, especially when household expenditures require careful choices: a) cable offers inexpensive entertainment that is more cost effective than any other comparable expenditure; b) the many hours of entertainment available via cable provide more satisfaction to more members of the household than do the discrete phone calls that constitute telephone service; c) complete cable service, including the additional tiers, serves as an enticement to keep children at home and away from the dangerous streets of the neighborhood; d) to households with few comforts, cable offers a visible sign of material well-being.

THE BREAKING UP OF AT&T AND CHANGES IN TELECOMMUNICATIONS REGULATION: WHAT ARE THE LESSONS?†

The Effects of the Breakup of AT&T on Telephone Penetration in the United States

By JERRY HAUSMAN, TIMOTHY TARDIFF, AND ALEXANDER BELINFANTE*

The breakup of AT&T in 1984 into a long-distance (and manufacturing) component and seven local-service companies, the Bell operating companies (BOC's), created the opportunity for billions of dollars of annual economic efficiency gains for the U.S. economy. These potential annual efficiency gains arise in part from the establishment of a rational price system for telephone services. At the time of the breakup (and to a lesser extent today) basic access to the telephone network received a large cross subsidy from other telephone services; that is, the price of basic access was well below its incremental (or marginal) cost. The largest component of this cross subsidy arises from the prices of long-distance services which are well in excess of their incremental cost. However, since the price elasticity of basic access is near zero while the price elasticity of long-distance services varies from about -0.25 to -1.2 depending on the type of service, a large economic efficiency loss occurs.

Why did regulation evolve in the United States to cause this extremely large distortion in prices? Numerous reasons can and have been put forward (see e.g., Peter Temin, 1987), but our favorite explanation arises from a combination of an outmoded framework of telecommunications regulation and changing technology. Congressional legislation, which established the Federal Communications Commission (FCC) and remains the basic framework for telecommunications regulation, was the Communications Act of 1934. This legislation led to the current joint regulation of telephone companies by both the FCC and state public utility commissions (PUC's). The Communications Act codified the goal of universal service—the notion that all U.S. households should have telephone service. This policy has been quite successful with U.S. telephone penetration at 93.3 percent in 1990 according to the Current Population Survey (CPS). Yet the FCC is basically in charge of setting long-distance prices while state PUC's are in charge of setting basic access prices, both of which are important factors in telephone penetration. During the post-World War II period the technology was changing so that the cost of long-distance service was decreasing markedly while the cost of labor-intensive basic access continued to rise essentially in line with inflation. The so-called separations system of regulation, established to "divide the cost" of the public telephone network between federal and state regulatory jurisdictions, created increasing cross subsidies as the contribution from long distance grew with increases in both the price–cost ratio of long distance and increases in long-distance demand.

Economists were aware of this problem and in the 1970's recommended that long-distance prices be decreased and basic access prices be increased. Indeed, to a first approximation if the basic access price elasticity is zero, the first-best tax solution of a

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lump-sum tax on basic access is available, which eliminates the loss in economic efficiency. Income-distribution problems arise, but these problems can be solved by a targeted subsidy to low-income households. Yet, state PUC's have been reluctant to raise basic access prices because they perceive that the very small basic access price elasticity could lead to some decrease in telephone penetration. In this paper we present a model of basic residential access demand which demonstrates that these fears are unfounded. Prior econometric estimates have specified models of basic access demand as a function of only its own price. Our estimates also find an important effect of long-distance prices on the demand for basic access. Indeed, the effect of long-distance prices is sufficiently large that a revenue-neutral rebalancing of telephone prices, which would reduce the subsidy for basic access and lower long-distance prices, would lead to both large gains in economic efficiency and *increased* telephone penetration in the United States. Thus, the perceived policy trade-off between economic efficiency and telephone penetration is unlikely to exist any longer.

I. Regulated Price Setting by the FCC and State PUC's

A. *FCC Regulation*

In regulating interstate telephone services, the FCC uses two main approaches to set prices to allow the local exchange carriers (LEC's) to cover their separated cost basis. The first approach is to set a lump-sum tax, called the subscriber line charge (SLC), which is currently \$3.50 a month per residential access line. Each residential phone user pays this fee as part of the monthly basic exchange access bill. The other approach used by the FCC is to charge long-distance companies for access from the customer premises to the long-distance companies' network. These access charges are currently about \$0.07 per minute of interstate long-distance usage. Access charges are quite substantial since they comprise about 40–50 percent of long-distance companies' overall costs and are over five times the LEC's incremental cost of providing long-distance access. In total, the subscriber line charge plus access charges combine to cover about 25 percent of overall LEC costs, which is the FCC share of separated costs.

B. *State PUC Regulation*

State PUC's set prices for basic exchange access and for intrastate long-distance services. Basic exchange access, which is often offered bundled together with free unlimited local calling (flat-rate tariff) or provides access plus a per-call charge for local calls (measured-rate tariff), has a price which varies from about \$8 per month in New Jersey and California to about \$23 in West Virginia. When the FCC subscriber line charge is included, the monthly basic access price varies from about \$12 to \$27. (In October 1990, the FCC reported a national average flat rate of \$17.79, including taxes and the subscriber line charge.) The incremental cost of basic access depends on geographical location, but its range is about \$18–\$24 per month for residential customers. Thus, in most states residential basic access service receives a significant cross subsidy.

Intrastate long-distance service comes in two varieties. IntraLATA long distance calls are provided by the BOC's and also by long distance companies such as MCI and AT&T where permitted by state regulation.[1] Regulated prices of intraLATA calls are set well in excess of the cost of providing these calls. The revenues from BOC-provided intraLATA long-distance service are used to cover BOC costs, including the cross subsidy used to help finance residential basic access. Companies such as MCI and AT&T provide intrastate interLATA long-distance services. Most states have adopted access charges for intrastate long-distance services similar in form to the access-charge frame-

[1]LATA's (local access and transport areas) were established in 1984 at divestiture. BOC's are restricted to providing telephone services only within LATA's.

work used by the FCC. The access charges are again well above cost so that they provide an important source of cross subsidy for residential basic access service.

C. *Overall Effect on Telephone Service Prices*

Basic exchange access is typically set well below its incremental cost and receives a significant cross subsidy. The size of the cross subsidy, at least from interstate toll calls, has decreased since the breakup of AT&T because of the use of the subscriber line charge and the decrease in long-distance access prices. At the state level the size of the cross subsidy may well have increased, since most state PUC's have not increased residential basic access prices along with inflation, while the large labor component of providing copper links from residences to the telephone network has led to increased costs. Since the breakup of AT&T, interstate long-distance prices have decreased by about 40 percent, primarily due to decreases in access charges by the FCC. However, a decrease in FCC access charges down to incremental cost would probably lead to a further reduction in long-distance prices of another 25 percent, at least. Thus, long-distance service continues to cross-subsidize basic-access service as it did before divestiture. We now discuss the likely outcome of a further reduction, or even the elimination, of the cross subsidy by an increase in basic access prices together with a decrease in long-distance access charges, which would cause reduced long-distance prices.

II. A Model of Basic Access Demand

A. *Model Specification*

The decision to purchase basic access service depends on its price as well as the demand for usage of the telephone by the residential consumer. This usage falls into three categories: local usage, intraLATA long-distance calls, and interLATA long-distance calls. Thus, we have a combined discrete-choice equation and continuous demand system for three services which arise from a common decision framework.[2] Here we are interested in the question of whether the household decides to purchase basic exchange service which arises from a partially indirect utility function:

$$(1) \qquad u = u(y, \mathbf{p}, \mathbf{q}, z, \varepsilon)$$

where y is household income, $\mathbf{p}$ is a vector of prices for basic exchange access which includes the one-time installation price and the monthly basic exchange price, $\mathbf{q}$ is a vector of prices of usage for local service (whose price is often zero), intraLATA service, and interLATA service, z is a function of household characteristics, and ε is a random parameter which is independently distributed across households.[3] Conditional on purchasing basic exchange access, the three demand equations can be derived via Roy's identity:

$$(2) \qquad x_j = \frac{\dfrac{\partial u(y - p_1 - p_2, \mathbf{q}, z, \varepsilon)}{\partial q_j}}{\dfrac{\partial u(y - p_1 - p_2, \mathbf{q}, z, \varepsilon)}{\partial y}}$$

Thus, efficient estimation would involve joint estimation of telephone penetration and the demand equation for telephone services. Since we do not have data on telephone service demand, we instead estimate the basic-exchange-access discrete-choice equation where a household purchases tele-

[2]Models with combined discrete and continuous demand functions arising from a common-decision framework have been estimated in other contexts by Hausman (1979) and by Jeffrey Dubin and Daniel McFadden (1984). Hausman (1985) estimates a further model with this structure and considers the general econometric framework for such models.

[3]A Hicksian composite commodity provides the numeraire price. The observant reader will realize that actually two interLATA prices exist for each household depending on whether a call is interstate or intrastate. We combine these two prices into a price index for interLATA long-distance calls.

phone service if

$$(3)\quad \tilde{u}_1 = \tilde{u}(y - p_1 - p_2, \mathbf{q}, z, \varepsilon) \geq \tilde{u}(y, z, \varepsilon) = \tilde{u}_2$$

where u_1 is the partially indirect utility function where basic access price has been subtracted from household income and u_2 is the partially indirect utility function where all consumption is of the composite (non-telephone) commodity. An important finding of equations (1)–(3) is that the discrete choice equation should depend on the basic access price(s) and also on the usage prices. This specification is in marked contrast to almost all other specifications of basic access demand.[4]

B. *Data and Estimation*

To estimate the effect of telephone prices on basic residential access, we acquired data that were collected for and by the FCC for CC Docket No. 87-339. For the years 1984–1988, the data combine telephone penetration and demographic variables from the Current Population Survey with prices collected through the U.S. Telephone Association at the request of the FCC. The data are organized into about 200 geographic areas for the first two years and about 500 geographic areas for the last three years. For each area, information on telephone penetration, demographic variables, and telephone prices is available. The long-distance price variables include a measure of interstate toll prices and a combined measure for intrastate toll prices combining intrastate intraLATA and interLATA prices to form an overall toll-price index using the following procedure. First, for each state, we obtained the 1984 numbers of intrastate toll calls (A) and interstate toll calls (B) for use in a fixed-weight toll index. The index was constructed as follows:

$$\text{toll index} = \frac{B \times (\text{interstate index}) + A \times (\text{intrastate index})}{B + A}.$$

The interstate index was included in the FCC data and the intrastate toll index was the national-level CPI for intrastate toll calls. Flat-rate access prices charged by Bell Telephone companies, which supplemented the lowest-priced access rates from the FCC data, were obtained from the National Association of Regulatory Utility Commissioners' annual publication of "Bell Telephone Companies' Exchange Service Telephone Rates."

The basic specification used is a binary logit model estimated in Berkson-Theil form where the left-hand-side variable is the proportion of households with telephone service and the right-hand-side variables are telephone prices and demographic variables of households.[5] Because of the panel-data structure of our sample, which varies across both time and states, we use a more general stochastic specification than the Berkson-Theil specification. One component of the stochastic disturbance is the usual deviation between the observed proportion and the model prediction which arises because of sampling error and is proportional to within-cell sample size; an additional component of the disturbance arises from a state-specific component of variance which is invariant across time, and the final component varies across both states and time and allows for general specification error. The model was estimated using a feasible generalized least-squares procedure.

The results of the logit model estimation are available from the authors upon re-

[4]Probably the best known of these prior models is Lewis Perl's (1984) model. The only prior exception is Belinfante (1990), in which basic exchange access demand is allowed to depend on interstate long-distance prices.

[5]Because of the high proportion of observations that are in the tail of the distribution, estimation was also done using a probit specification and an arcsine specification. Very similar results were found for all three specifications. The specification tests of Hausman and William Taylor (1981) comparing between and within estimates produced no statistically significant differences.

quest. At 1990 average U.S. prices and penetration levels, the relevant elasticities are as follows (standard errors are in parentheses): installation charge, −0.0206 (0.0032); basic access price for measured rate service, −0.0052 (0.0025); difference between flat and measured rate, −0.0027 (0.0018); intraLATA toll price, −0.0086 (0.0017); intrastate interLATA toll price, −0.0019 (0.0004); interstate interLATA toll price, −0.0055 (0.0011).

The estimated elasticity with respect to the basic access price, −0.005, is quite small, with a 10-percent price increase leading to a 0.5-percent decrease in penetration (approximately 0.005, given a penetration rate of about 0.93). The finding of a very small but significantly nonzero own-price elasticity for residential basic access demand is consistent with prior studies, with the best known paper being Perl (1984). The very small price-elasticity effect has led some regulators to resist raising basic access prices because of the negative effect on telephone penetration. The other important own-price determinant of demand is the installation charge. Note that the elasticity is about four times as large as the elasticity for the monthly price of basic access. Such a large elasticity implies a very large implicit discount rate of over 100 percent per year, which is consistent with previous findings of purchase decisions for consumer durables for low-income households in Hausman (1979) and the findings of Dubin and McFadden (1984).[6]

However, concentration on only the own price effect could lead to incorrect conclusions on the effects of rebalancing telephone service prices. Note that the cross-price elasticity of the demand for basic access service is −0.0086 with respect to the price of intraLATA toll service and it is −0.0055 with respect to the interstate toll price, which demonstrates the complementary nature of basic access demand and local and long-distance telephone usage. The higher estimated cross-price elasticity of intraLATA toll service is consistent with the general finding that own-price intraLATA toll elasticities are smaller in magnitude than interLATA toll elasticities and with the relative expenditures across bill categories. Thus, an increase in basic access prices combined with a decrease in long-distance toll prices (via a decrease in long-distance access prices) could well lead to an *increase* in telephone penetration, rather than a decrease as has been assumed by many regulators.

III. Postdivestiture Price Changes and Telephone Penetration

During the period 1984–1990, FCC and state pricing policies were accompanied by a gain in U.S. telephone penetration from 91.4 percent to 93.3 percent. Ten million additional households subscribed to telephone service, and households without telephone service decreased by 1.1 million. These results are inconsistent with the view that raising basic access price will necessarily lead to decreased penetration when long-distance prices are decreasing.[7]

The SLC accounts for about one-third of the average price of measured-rate basic access in the United States. Thus, use of the own-price elasticity only would lead to a prediction of a decrease in penetration of −0.18 percent. However, the decrease in interstate long-distance prices during the same time period, where 1984 real prices were approximately double 1990 prices, had

[6]A goal of many regulators to increase telephone penetration could well be advanced by allowing new customers to pay the installation charge over an extended period, say 12 months (with interest), instead of requiring an up-front payment.

[7]The results refute definitively the claims by some consumer advocates who predicted that when basic exchange rates increased because of the SLC that large numbers of households would drop off the telephone network. For instance, the Consumer Federation of America and the U.S. Public Interest Research Group predicted in 1985 that 6 million subscribers would cease telephone service between 1984 and 1986. The actual change in subscribers was an increase of about 4.1 million subscribers during this period.

a positive effect on penetration of approximately three times the magnitude of the increase in basic exchange access prices. Overall, the net effect of the increase in basic exchange access prices due to the SLC and decreases in interstate long-distance prices was to increase telephone penetration in the United States by 0.45 percent according to the model estimates.

In addition to the price changes attributable to FCC interstate access-charge policy, prices for basic access and intrastate toll also fell in real terms. In particular, monthly basic-services prices fell by about \$0.85,[8] the installation charge fell by about \$2.80, and real intrastate toll prices fell by about 30 percent. When these changes are included with the changes from FCC access-charge policy, the model estimates a gain in penetration of 1.3 percentage points, compared to the actual gain of 1.9 percentage points.[9]

The results are consistent with the fact that even low-income (lifeline) customers pay a substantial portion of their monthly bill for toll services. For example, using a sample of actual May 1991 bills from Pacific Bell for California, we calculate that toll calls account for 64.9 percent of the total bill. Thus, any analysis of the effect of price changes on network penetration needs to account for both the price of toll calls and the basic exchange access price.

IV. Conclusion

Economists have long realized that significant gains in economic efficiency would occur if telephone prices were more cost-based and if the cross subsidy for basic residential access were reduced or eliminated. However, the fear of regulators that such a change would lead to decreased telephone penetration has acted as an absolute constraint to proposed changes in many instances. Our model estimates demonstrate that increased economic efficiency need not lead to decreased penetration.

Indeed, the evidence from the period after the breakup of AT&T during the 1980's tends to show that increased penetration resulted in part from the combined effect of higher monthly basic access charges and lower long-distance prices. Further efficiency gains are likely to arise if the procedure continues to eliminate the cross subsidy received by basic exchange access and if long-distance prices are lowered.[10] These changes can come about in either (or both) of two ways. State PUC's can allow LEC's to change their pricing structures. While many state PUC's have set this change as a goal, very few have actually made much progress, in part because of the opposition of consumer advocacy groups. In addition, the FCC could raise the residential subscriber line charge and lower interstate long-distance access charges, although this change may require Congressional approval. Thus, either set of changes may be difficult to implement. However, the current combination of federal and state policy toward regulation of telephone service in the United States has an efficiency loss in the billions of dollars and retards the advancement of the "Information Age" which many individuals believe will increase productivity and lead

[8]Therefore, the net impact of the SLC and the reduction in basic access rates is a real price increase of about \$2.20.

[9]Changes in demographic characteristics, particularly income, probably account for the additional increase in telephone penetration. For example, Perl's (1984) model produces an income elasticity of about 0.10. Thus, the change in real family income of about 8 percent between 1984 and 1990 according to CPS data (where both median family income and income of the lowest quintile increased by about 8 percent) would imply about a 0.8-percentage-point gain in penetration. Added to the 1.3-percentage-point gain implied by price changes, the total effect is about 2.1 percentage points, which is close to the actual gain of 1.9 percentage points.

[10]Of course, these changes need to be accompanied by a targeted subsidy program for low-income households. However, almost all states now have well-developed programs for such households.

to many new services for telephone consumers.

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Strategies to Increase Telephone Subscribership

PACIFIC TELESIS Group

Key Points

- Basic rates are not the primary reason for customers to find telephone service hard to afford
- Retention of telephone service is the primary issue
- Innovative approaches needed by carriers to address specific needs of diverse market segments
- Customers need help managing their calls. Carriers are developing products and services to address this root cause of disconnection

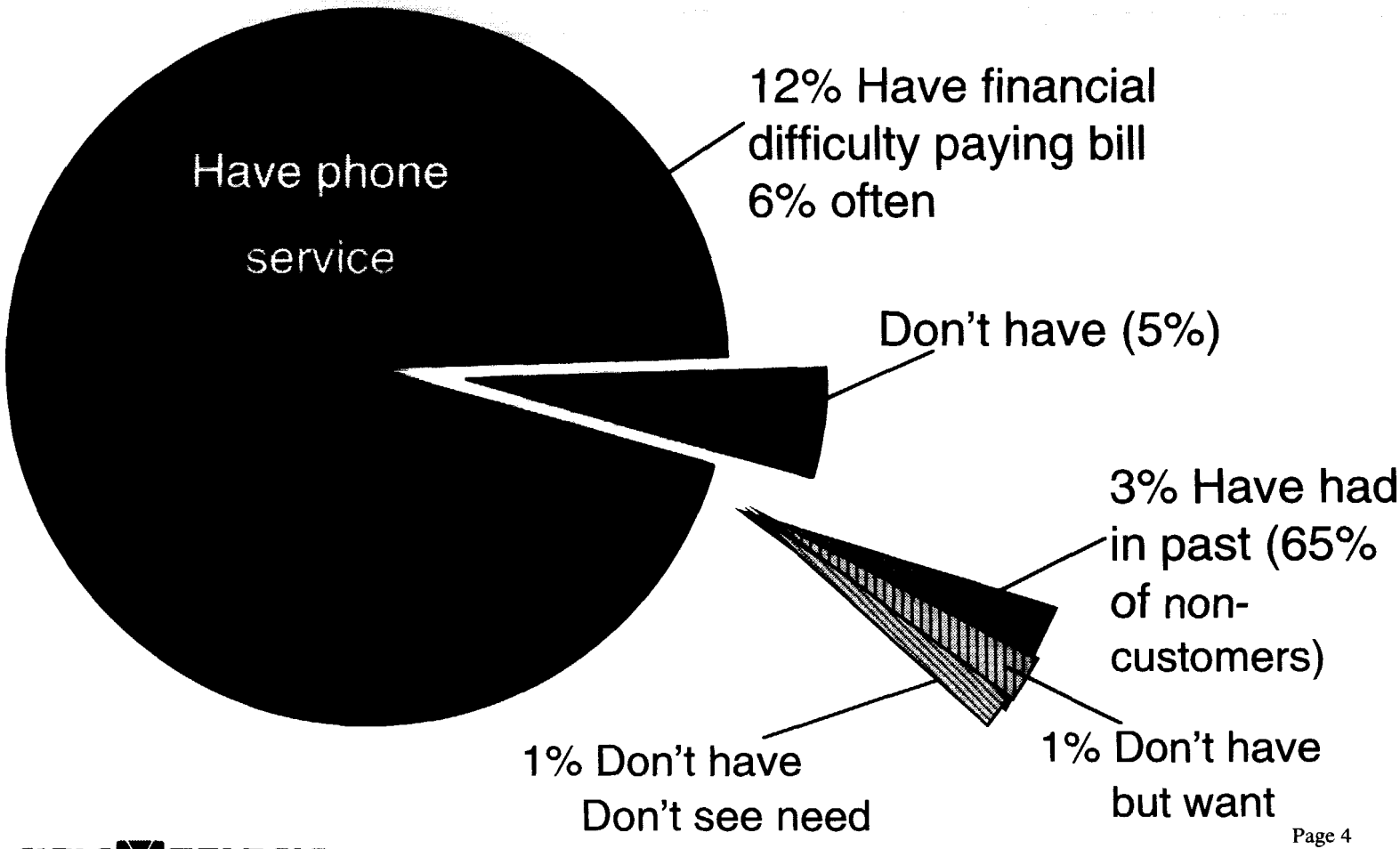
Affordability Study

- Study addressed the affordability of service and why households are without telephone service
- Study completed by Pacific Bell & GTE-C at the request of the CPUC at a cost of $1M. Research conducted by Field Research Corp

Conclusions:

- Non-customers include many who have recently had service but lost it due to unpaid balance owed
- Non-customers are knowledgeable about how to get service and the cost of service
- To increase penetration rates in and out movement (retention) must be addressed

Importance of Retention for Improving Penetration Rates



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Solutions to Study Findings

Definitions:
Toll Restriction/Toll Blocking

- Blocks customers from completing billable toll calls from their residence or business lines
- Form of security in lieu of deposit
- Types of calls completed:
  - Local calls, Zone 1 & 2
  - 800 Calls
  - 911, 611 and 411
- If imposed as a collection tool will have no associated cost to the customers for six months
- Toll blocking that is ordered as a product will have a recurring charge of $2.00/month

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Quick Dial Tone (QDT)

- A process not a true product
- Access restricted to 911,611,800 from vacant residences
- Replaces regular dial tone when the last resident line disconnects
- Incoming calls allowed for 911 call-back

Universal Lifeline Telephone Service (ULTS)

- Discounted basic access for low-income households
- Flat or Measured rate service
- No FCC access charge
- Reduced installation & connection
- Self-certified program

Solutions to Study Findings

Findings:

- Issue for most Non-customers is Retention of Service
- Low-income customers would stay on the network if they had a way to control long distance expenses

Response:

- Toll Restriction/Toll Blocking products
- Quick Dial Tone (QDT)

Findings:

- Non-customers do not have accurate information about installation rates
- Non-customers do not have access to a phone for emergency services
- Non-customers are very mobile and don't re-establish service

Response:

- Lifeline reduced installation rate
- QDT
- Continued community outreach

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Drawbacks of Prohibition on Disconnection of Local Service

- Toll Restriction/Call Management can address these issues if priced and promoted according to the needs of 'at risk' customers/non-customers
- No clear correlation between prohibition on disconnect and increased subscribership
- Reduces the customer's responsibility for payment of account and incentive to utilize toll blocking. Likely that customers will ultimately default on local charges

Drawbacks of Prohibition on Disconnection of Local Service

(Continued)

- Net bad debt increases
- Cost of upgrading billing systems. Increased customer contact time
- LECs may lose billing for IECs therefore customers lose the consolidated bill format
- Some collect calls & interstate bill-to-third number calls can still be completed

Recommendations and Conclusions

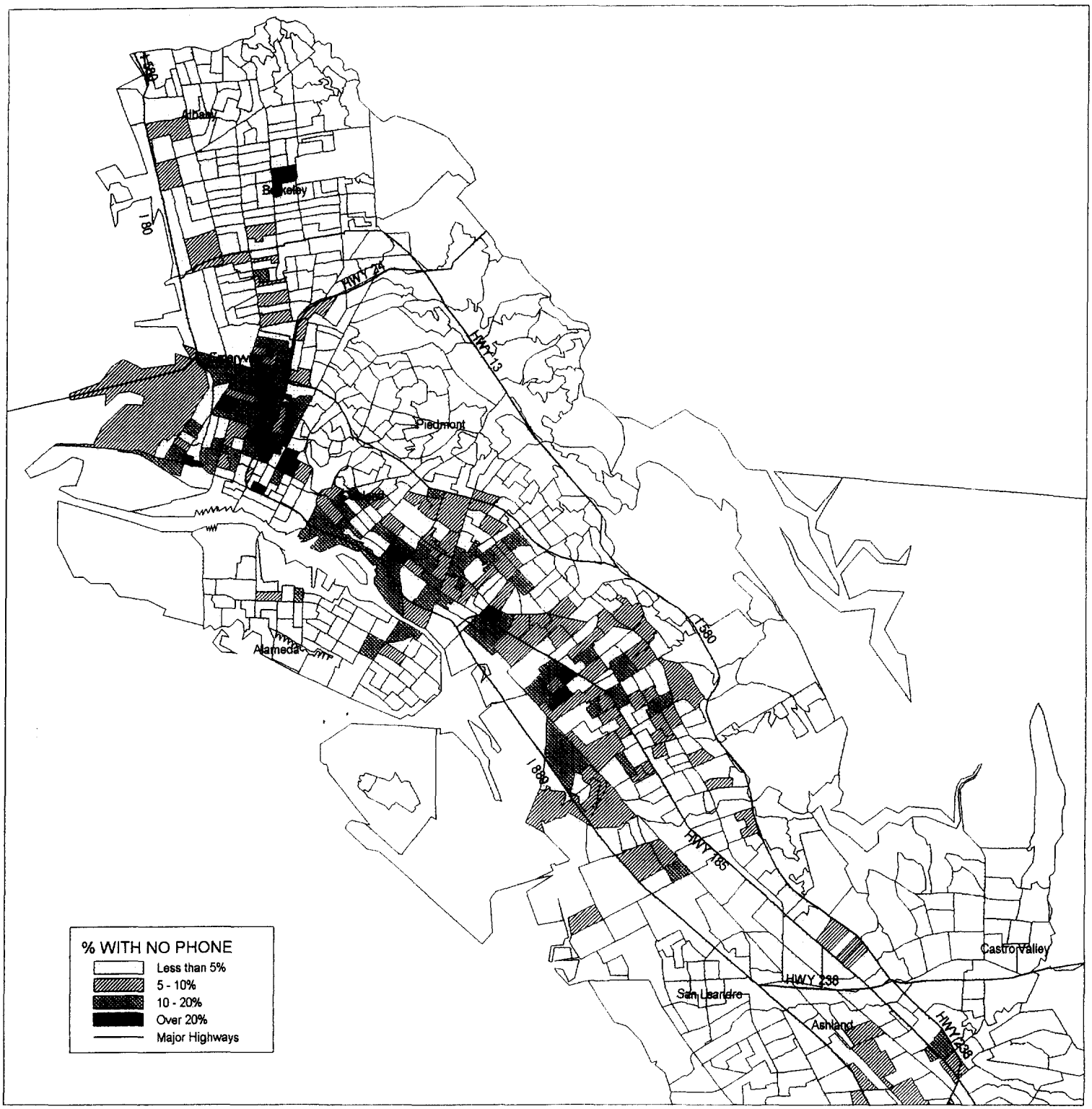
- We need flexibility to work with the state and community groups to continue to develop services that meet the needs of customers in California. Rely on competition to extent possible
- FCC should focus on root causes not effects. Prohibiting disconnect addresses effect. Toll Restriction addresses root cause.
- Subscribership programs, where needed, should be targeted and compatible with market conditions i.e. explicit, with broad-based competitively neutral funding e.g.Link-Up, schools

Oakland Toll Restriction Outreach

- **Opportunity:**
  - Precise definition of neighborhoods with low telephone penetration rates (maps of CBGs)
  - Spring 95 ULTS Tear-off Pad & Door Hanger projects demonstrated most effective locations for 'grass-roots' community campaign
  - Developed in partnership with Greenlining member OCCUR (Oakland Citizens for Urban Renewal)
- **Target Audience:**
  - Non-customers disconnected in last twelve months
- **Timeline:**
  - Mid-January - March 31 1996. To coincide with high disconnects in first quarter

RENTERS: PERCENT WITH NO PHONE

By Block Group - 1994 Estimated Census Data



PREPARED BY MARKET INTELLIGENCE

AREA FOR DOOR HANGERS
ALAMEDA COUNTY - EAST BAY - ZOOM AREA 1

BLOC_AL6 121394T

Pacific Telesis/Pacific Bell
Greenlining Coalition Agreement
Signed July 1994

Five year, good faith agreement to raise phone penetration rates among minority and low-income communities in Pacific Bell region.

INITIAL18 MONTHS
- Review and analysis of research data and other relevant service information
- Agreement on penetration measurement methodology
- Launch of targeted outreach trial in Oakland using census information (renters, minority groups, low phone penetration areas)

Eventual shift from the cost of basic service to the following key factors that significantly influence service retention in California
- Call Control
- Payment Priority/Debt Management
- Mobility

STATUS/Results To Date
Match of key service retention factors to service and outreach alternatives
- Discounted installation and basic service rates (existing Universal Lifeline Telephone Service - ULTS)
- Payment arrangements (existing PB service option)
- A toll restriction service option (tariffed on December 4, 1995)

(a potential menu of options that could serve as a safety net for "basic telephone service" retention among low income communities)

1996 Initiatives
- A new Oakland outreach trial strategy using the new toll restriction option
- A significant Pacific Bell ULTS marketing shift to targeted outreach programs using community based organizations
- Continued research and investigation efforts to identify additional factors and options

Attachment - February 8, 1996 Press Release

For Immediate Release

Pacific Bell and Greenlining Coalition Announce New Plan to Increase Phone Service Access

New Factors Found For Lower Phone Penetration Among California Minority And Low Income Groups

San Francisco, February 8, 1996--Information released by a Pacific Bell/Greenlining Coalition partnership challenges the myth that the cost of basic service is the biggest reason for lower phone penetration among minority and low income consumers. In fact, service retention could be the primary issue. The partnership, established July 1994 as the result of an historic agreement, is committed to "good faith efforts" to increase phone penetration rates in California.

Since most non customers were found to have had phone service recently but had difficulty retaining the service, the partnership has focused on the following factors:

- **Non customers are very mobile.** Many low income individuals and families move frequently and have difficulty paying multiple installation charges.

- **Inability to control long distance phone calls.** In minority and low income households, there are a number of individuals or multiple families all using the same phone. New analysis found it is difficult for telephone subscribers in this situation to control phone use and they are often left to pay large long distance bills for unauthorized calls.

- **Payment priority issues.** When faced with the choice between other livelihood needs or paying the phone bill, the competing need often comes first for non customers. Phone service, compared to other urgent needs, is often a lower priority.